



Agribusiness Committee

Wednesday, May 19, 2004

4:30 p.m.

Institute for Advanced Learning and Research

Danville, Virginia

APPEARANCES:

The Honorable Joseph P. Johnson, Chairman

Mr. C. D. Bryant, Vice Chairman

J. Carlton Courter, III (by telephone)

Mr. Jordon M. Jenkins, Jr.

Mr. Buddy Mayhew

Mr. Claude B. Owen, Jr.

Mr. John M. Stallard

Mr. Thomas F. West

COMMISSION STAFF:

Mr. Carthan F. Currin, III - Executive Director

Mr. Ned Stephenson - Manager of Strategic Investments

Mr. Timothy J. Pfohl - Grants Program Administration Manager

Ms. Sara Griffith - Grants Coordinator-SW Virginia

ATTORNEY GENERAL'S OFFICE:

Frank Ferguson, Senior Assistant Attorney General

DELEGATE JOHNSON: I'll call this meeting of the Tobacco Commission Indemnification and Revitalization Commission and the Sub-Committee is the Agribusiness Committee to order. I welcome all of you. Do we have a new member?

MR. CURRIN: Mr. Chairman, from the Staff's perspective we have a new person to introduce, that's Sara Griffith. She's going to be our Grants Administrator for Southwest Virginia. We have, also, Mr. Paul Puckett, who will be interning with us from Southwest Virginia, and appreciate having him here as well. We also have Clark Lewis here.

DELEGATE JOHNSON: Let's call the roll.

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1 MR. CURRIN: Commissioner Courter is here by telephone.
2 Mr. Fields?
3 MR. FIELDS: (No response.)
4 MR. CURRIN: Mr. Jenkins?
5 MR. JENKINS: Here.
6 MR. CURRIN: Mr. Mayhew?
7 MR. MAYHEW: Here.
8 MR. CURRIN: Mr. Owen?
9 MR. OWEN: Here.
10 MR. CURRIN: Mr. Stallard?
11 MR. STALLARD: Here.
12 MR. CURRIN: Mr. West?
13 MR. WEST: Here.
14 MR. CURRIN: Mr. Vice Chairman?
15 MR. BRYANT: Here.
16 MR. CURRIN: Mr. Chairman?
17 DELEGATE JOHNSON: Here.
18 MR. CURRIN: We have a quorum.
19 DELEGATE JOHNSON: The next order of business is to have the
20 Minutes approved of our last meeting. On those Minutes of the last meeting, did each of
21 you receive a copy of them posted on the Internet? Those of you that want a copy sent,
22 notify the Commission and they will mail it to you. Is there anyone who hasn't received a
23 copy of the Minutes on the Internet? All right, do we have a motion on the Minutes of
24 the last meeting, which was in Richmond at the Washington Building? There is a motion
25 that they be approved. Do we have a second?
26 MR. MAYHEW: Second.
27 DELEGATE JOHNSON: All in favor let it be known by saying
28 aye? (Ayes.) Opposed, no? (No response.)
29 The next item on the Agenda is the Burley Quota Owner Split. Mr. Clark
30 Lewis, do you have anything you would like to say?
31 MR. LEWIS: Yes, sir, Mr. Chairman. As all of you know, we have
32 begun the indemnification process this year. This was a new year for us in that for flue-
33 cured tobacco for quota owners and producers everything remained the same, and we
34 remained in the 1998 crop year. For the burley community, as we all know, there was one
35 change on the quota owners side going to the 1999 quota owners database. So that when
36 we sent out our forms at the beginning of this cycle, we elected to send the forms to the
37 flue-cured producers and quota owners as we always have for the 1998 year. We sent out
38 1998 burley producer forms to the burley community. We explained to them that because
39 we were going to a 1999 burley quota owners database that we will be sending those
40 forms out during the course of the summer. The reason we did this is because there is
41 going to be a difference between the two forms. If you are a quota owner and producer
42 you would see different information, and we believe it would lead to confusion. After
43 looking at the burley quota owners tape that we got from the Farm Service Agency, it is

1 going to require a significant amount of effort to get that up to speed during the course of
2 the summer. What we are going to do is, through working with the FSA hopefully in the
3 month of June, we will be sending out the burley quota owners form to the burley quota
4 owners and working with them over the course of the summer to get that paid and that
5 database in very good order. One setback that we're trying to work with is that the Farm
6 Service Agency is providing us with tapes and has a policy that they will not provide
7 social security numbers to us. Our system is set up on a large part by social security
8 number, name, farm, and tract, and that is causing us a significant amount of additional
9 amount of work trying to match up name and farm without the social security number.
10 We're working with the Farm Service Agency to try to see if we can get an exception to
11 be made, but I'm not hopeful that it will be. So this is another issue that we are working
12 with.

13 One of the things that has come up as we go forward with the burley quota
14 owners system, as you may remember about four or five years ago we started this process
15 and several farmers could own pounds on a given tract under the burley quota. During
16 that time, farmers if there were family members or co-owners, could elect to apportion
17 the amount of pounds that each person respectively owned on a given tract. For example,
18 if there were two brothers and a hundred pounds on a given tract, they would be in a
19 position to split it fifty/fifty or seventy-five/twenty-five, as long as they agreed and the
20 pounds in the given tract equaled to what the Farm Service Agency told us was available.

21 What we'd like to do, and we've talked it over with Counsel for the Commission, is
22 rather than have the burley quota owners for the '99 year go back and readjust and re-
23 figure what they want to apportion for a given tract, we would like to take what they
24 elected to do in '98 as far as the split and apply it to '99. Does that make sense? I think if
25 we were to do this we would consider their election made in '99 or the election they made
26 in '98 to continue on into '99. We feel that would be fair, consistent and a more efficient
27 way to do it rather than to ask people to reinvent the wheel again. Speaking it over with
28 Frank and Carthan, we believe we need the approval of this Sub-Committee to make that
29 the policy of the Commission.

30 DELEGATE JOHNSON: Frank Ferguson is here, although I don't
31 know if you were introduced.

32 MR. FERGUSON: Good afternoon.

33 MR. LEWIS: Frank, did I summarize that accurately?

34 MR. FERGUSON: Yes, sir, Mr. Chairman. I think that would still,
35 and correct me if I'm wrong, Clark, but I think it is reasonable for the Commission to
36 assume that the previous election remains valid unless and until the Commission wants to
37 do something different, because they are going in a different quota year that should not
38 trigger any presumptive changes on our part.

39 DELEGATE JOHNSON: Are there any questions? Do we need a
40 motion?

41 MR. LEWIS: Yes, sir, Mr. Chairman.

42 MR. STALLARD: I'll make a motion that the split among the quota
43 owners be the same as it was in 1998 and try to get these payments as simple as possible.

1 DELEGATE JOHNSON: We want a different motion for burley?
2 MR. LEWIS: It's just for the burley quota owners.
3 DELEGATE JOHNSON: Mr. Stallard has made a motion, do we
4 have a second?
5 MR. OWEN: Second.
6 DELEGATE JOHNSON: The motion is made and seconded, any
7 discussion?
8 MR. FERGUSON: Mr. Chairman, just to clarify the record. As I
9 understand the motion, then, it is that we continue to have an election for the split among
10 the quota owners for a particular tract for a particular allocation that was done in '98 and
11 unless and until they tell us differently.
12 DELEGATE JOHNSON: This is the motion that we are going to
13 recommend to the Full Commission. Any other discussion? If not, all in favor let it be
14 known by saying aye? (Ayes.) Opposed, no? (No response.) The ayes have it. So
15 ordered.
16 MR. LEWIS: Thank you, Mr. Chairman.
17 DELEGATE JOHNSON: Are you going to frame a motion for us to
18 present to the Full Commission?
19 MR. LEWIS: Yes, sir. Mr. Rosenthal will do that, and I will work
20 with him to frame the motion.
21 DELEGATE JOHNSON: What do we do with flue-cured?
22 MR. LEWIS: Flue will remain in the 1998 database for at least
23 another year or two. Flue will remain the same, as will the burley producers. For the
24 next year or two, as I understand it from Mr. Duffer and Ms. Wass, we will remain in
25 1998 for flue and burley producers, and then we will move into 1999 just for the burley
26 quota owners.
27 DELEGATE JOHNSON: Do we need a motion for that?
28 MR. LEWIS: No, sir, because I think the policy of the Commission,
29 as I understand it, it would remain in effect.
30 MR. FERGUSON: Unless the Committee wants to recommend a
31 change and if the Staff is asking for it. If they are not there is no necessity for it.
32 DELEGATE JOHNSON: Is there anyone from flue-cured that
33 wants a change or leave it?
34 MR. BRYANT: I don't think we need any change.
35 MR. JENKINS: Leave it like it is.
36 MR. CURRIN: Mr. Chairman and members of the Committee,
37 before Mr. Stephenson and Mr. Pfohl present suggestions for you as far as the grant
38 process, you may recall this past winter Commissioner Courter and his staff hosted us in
39 their offices or in their board room to have a legislative committee meeting and have a
40 discussion over a day and a half. We were trying to focus the Committee on what
41 projects and what type of areas of interest we wanted to concentrate on. My staff worked
42 on the up-coming budget, and we hope to present that tomorrow. It was felt that
43 currently this Committee has a balance of one million seven hundred thousand dollars or

1 one million seventy-five. It was felt before we added additional dollars to this
2 Committee that some of the mechanics needed to be worked on and maybe some
3 additional focus needed to be derived by this Committee to enhance the kind of projects
4 that we wanted you all to ultimately support within Southwest and Southside
5 Agribusiness related issues. With that, Mr. Chairman, I would like to, unless anyone has
6 a question, I'd like to have Mr. Stephenson and Mr. Pfohl make their presentation to this
7 Committee based on the February retreat and discussions that we had at the retreat.

8 MR. STEPHENSON: Thank you, Carthan, and for the benefit of
9 everyone present, I would like to ask Tim to give us a brief capsule of the history of the
10 Agribusiness Committee and what we've done so far and kind of bring us up to speed.

11 MR. PFOHL: A couple of quick points. I'm sure you are all aware
12 that Agribusiness projects were ineligible activities under the Economic Development
13 Grant Program for fiscal year '01, '02 and '03. There were twenty-two projects approved
14 for just under one point nine million dollars for a wide array of projects including
15 livestock, fruits and vegetables and a number of things as part of the economic
16 development cycle. About a year and a half ago we had a handful of projects that came
17 in for economic development, and simultaneously this Committee was created. These
18 projects were referred over to your Committee last July, and last October your Committee
19 approved half a dozen projects for a total of one point two million, and that is where we
20 are at as far as track record of Agribusiness projects that have been approved. Many of
21 them are still ongoing, and some have been concluded. It really covered a spectrum of
22 activities that we know are out there and a continuation of expressing interest to us. The
23 Staff receives calls on a regular basis with inquiries into future grant cycles for
24 Agribusiness allocations. We continue to find ways to move forward and to answer
25 questions about future allocations. I'll turn it back over to Ned now.

26 MR. CURRIN: These are currently in your packet.

27 MR. STEPHENSON: I'd like to invite your attention to a single
28 sheet of paper in your packet, and it is entitled, Agribusiness Committee Discussion Draft
29 for 5-19-04. These are by way of suggestions or recommendations, none of this has been
30 picked, but this gives you or the Committee several options that the Staff has come up
31 with as to how you might want to proceed. I'll run through these very quickly, but I will
32 tell you at the outset that the Staff recommends Option No. 2 as your best probable
33 option. We're prepared for any one that you might choose.

34 Option Number 1 is to have a competitive grant cycle with a deadline of
35 September 1. This would be an open invitation for all applicants to present a full
36 application to the Commission for you to sort through and choose which one you want to
37 approve. It probably would require only a single Committee meeting. After the
38 applications come we would sort through them and present them to you, probably in a
39 single meeting at the October Commission cycle.

40 Option 2, which is recommended, is for us to conduct a pre-application process
41 from which you would have developed a short list. This is a process in which all
42 applicants are invited to submit a one or two-page synopsis of their concept of what it is
43 they propose to do. You would have a chance to shorten this one-page presentation and

1 invite several or a half dozen of those applicants to submit a full program to the
2 Commission for you to fund.

3 The third option, which is a little different, still is really not a grant cycle, but
4 really an approach where the Committee itself would choose a project of a reasonable
5 nature and seek to fund that project or maybe two projects without having a competitive
6 grant cycle. That has a lot of appeal, and it is the most challenging one. It requires that
7 we have the very best idea on the table for us to fund. I would like to open up these three
8 options, Mr. Chairman, for discussion among the Committee.

9 MR. OWEN: Mr. Chairman, I have a question. Why does the Staff
10 decide that Number 2 is the better option?

11 MR. STEPHENSON: After some conversation, Claude, we
12 concluded that an open grant cycle would likely produce a large number of requests and
13 require a lot of people to go through a thirty-page application requirement and produce
14 this much for the Commission to go through, and we thought we could do a better job if
15 we keep that down and concentrate on the best ideas rather than get all that volume, plus
16 it exercises the applicant and it groups everyone, and that was the thinking.

17 MR. BRYANT: Mr. Chairman, these particular applications would
18 be screened by members of this Committee or screened by Staff?

19 MR. PFOHL: We were thinking in terms of the Committee
20 screening the pre-applications.

21 MR. STEPHENSON: If you'll notice, C. D., it was suggested to
22 have two Committee meeting dates. One would be a short list, and then we would go to
23 work on that short list and analyze that for you to make a decision. So, yes, you would
24 see all of the applications.

25 MR. WEST: If we pick under Number 2 would we end up with a
26 recommendation on that process?

27 MR. STEPHENSON: It does not close the door to big projects.

28 MR. WEST: It may be that you'd pick Number 2 and maybe end up
29 doing that option.

30 MR. CURRIN: One thing to keep in mind right now, Mr. Chairman,
31 right now if the Commission approves the Budget tomorrow for a million seven this
32 fiscal year, the thirty-four counties, this is a large area for us to deal with, and based on
33 the retreat and the questions and trying to obtain the best results with the amount of
34 money that we have this year with this budget that could change in the future, trying to
35 keep that figure in mind.

36 DELEGATE JOHNSON: On Option Number 3, funding one or two
37 large projects. Would it not be almost impossible to get a consensus on one or two?

38 MR. JENKINS: Depends on who is reading it.

39 MR. STEPHENSON: Mr. Chairman, that option appeals to me most
40 of all in terms of it being effective. The biggest problem with that, or maybe the second
41 biggest hurdle to obtain a consensus is that of having a good, sound idea on the table that
42 we all can get behind and want to fund. If we had that we would know it.

43 DELEGATE JOHNSON: That is my question, when we, as diverse

1 a group as this is with burley and flue, do you think we could come up with one that
2 would please the majority?

3 MR. STEPHENSON: That might be hard to do, but I would hope
4 that in the pre-screening process that the goodness will come out of the grass roots and
5 then they'll be a winner, but we don't know about it yet.

6 DELEGATE JOHNSON: Do you have any thoughts about what
7 that one might be?

8 MR. STEPHENSON: I would not hazard a guess.

9 DELEGATE JOHNSON: Without narrowing it down to one or two
10 or three ideas or how many projects could it be?

11 MR. STEPHENSON: In our retreat there were quite a number of
12 ideas that went onto the table, no one of which in my memory really garnered broad
13 support, but there were a lot of ideas on the table, and I think probably some would come
14 back.

15 MR. JENKINS: Mr. Chairman, if you use Option Number 2 would
16 this preclude cooperative effort, maybe among five or six counties on some projects that
17 could evolve into something that you would have in Option 3?

18 MR. STEPHENSON: Only to the extent that resources are limited.
19 Resources on the grant applications under Option 2, it would be fair to say we'd have to
20 balance that.

21 DELEGATE JOHNSON: In Option 1, advertise a competitive grant
22 cycle. What do you envision on that?

23 MR. STEPHENSON: That is what we are doing with the Economic
24 Development to advertise, come one, come all with your ideas and applications.
25 Anybody can apply that wants to, and you get volumes of ideas. Some people say the
26 expression is sometimes used where applicants will throw something against the wall to
27 see if it sticks, and there has been a lot of that, too, and we have to weed those out from
28 the winners, and we hope to avoid doing that on this particular cycle.

29 MR. STALLARD: Mr. Chairman, is there some particular reason
30 why October 7th was used for the deadline? It seems like if you have the money now,
31 and five months is a long time to wait to use these grants. I thought we might be running
32 a little bit behind like we did last year, but I guess my question is, is there some particular
33 reason why October 7th was used, which is five months from now?

34 MR. STEPHENSON: I think the thinking there, John, was that we
35 have a Commission meeting in July, which is coming fast. The next one is in October,
36 and October 7th would not be the deadline, but it would be the date on which the
37 Agribusiness Committee would make that final approval.

38 MR. STALLARD: If we have the money now, why don't we utilize
39 it as quickly as possible?

40 MR. STEPHENSON: The money is in the bank, it's here.

41 MR. STALLARD: Is there any way you can move that deadline
42 from October 7th to some time sooner?

43 MR. MAYHEW: Mr. Chairman, it still has to be approved by the

1 Commission in July, so we have to come behind that July date.

2 MR. STEPHENSON: We'd have to accelerate it all the way up to
3 July, so we have to have enough time to make all that happen.

4 MR. CURRIN: Mr. Chairman, I would suggest, and I recognize,
5 John, that the money is there, but I realize that in the past probably we've have taken an
6 attitude that, I think it is in our best interest to take some time to properly get a real
7 handle on this and to the goals that we want to achieve. I recognize there are a lot of
8 challenges from farm folks and a lot of folks in both regions, but I feel there is a need to
9 caution us to be mindful, and I think it is a better public policy that we, or this
10 Committee, gets a chance to focus on what we really want to accomplish. The money is
11 there, and everybody wants a piece of this, and occasionally we can get ourselves in a
12 bind by jumping too quickly. I don't think a little slow up is going to hurt us in the long
13 run as long as we focus on what we really want to do.

14 DELEGATE JOHNSON: Any other comments?

15 MR. BRYANT: I'd like to say at the appropriate time, or sometime
16 during this meeting, I'd like to hear from Linda Wallace about the Beef Initiative, and
17 hopefully there will be some support in the future. I know you are not prepared to give
18 us an in-depth prognosis for what has happened, but I think you can probably shed some
19 light and we can see the direction that this project is moving in. I'd like to hear your
20 thoughts and the options that we are looking at, I'd like to hear your thoughts on that and
21 what you have to say. This is a regional project, and I hope the Committee will look at
22 this more as a regional project, more than just a little project here and there. I think
23 Southwest has an interest in this.

24 DELEGATE JOHNSON: I think it would be appropriate for her to
25 make any comments she wants to. Would you state your name?

26 MS. WALLACE: I'm Linda Wallace, Agricultural Development
27 Director, Halifax County. Halifax County has submitted the Southside Value-Added Beef
28 Initiative on behalf of nineteen Southside counties who have voiced an interest in this
29 project. The Commission funded last October a five hundred thousand dollar pilot
30 project for the Southside Beef Initiative, and it has gone extremely well to date. We've
31 had enthusiastic participation and response from producers.

32 DELEGATE JOHNSON: Long-range it has gone extremely well?

33 MS. WALLACE: Yes.

34 DELEGATE JOHNSON: Would you explain what you mean by
35 gone extremely well?

36 MS. WALLACE: We probably have had in excess of one hundred
37 fifty applications between the three counties. Unfortunately, we were not able to fund all
38 of those requests. We formed a Screening Committee, and Britt was on that, and
39 extension agents from the counties. After cost sharing to date we have funded about
40 thirty-five applicants in each one of those counties. The cost-sharing payments range
41 from three hundred dollars for artificial insemination to five thousand dollars for the
42 genetic improvement. I will tell you that the vast number of applications are for genetic
43 improvement. I believe we'd get the greatest long-term economic development from the

1 genetic improvement in the future for these producers. Certainly if we buy them a
2 premium bull, for lack of a better word, a minimum EPD bull or heifer, those producers
3 are going to receive an economic benefit, as you well know, for probably seven or eight
4 years barring sudden death of that heifer.

5 I'd like to tell you that I shared with Mr. Bryant before the meeting, and I
6 happen to have these notes, but I'm not going to share them with you. But I'll tell you,
7 and just to give you an example, in Pittsylvania, producers in Pittsylvania County spent
8 two hundred twenty thousand on improvement of their beef operation, and the Tobacco
9 Commission has only matched that with ninety-seven thousand. This project has created
10 a lot of interest and a lot of economic stimulus in three counties. I'd say the vast majority
11 of this money has been spent within the three counties. There have been some cattle
12 purchases out in the valley and some out of South Carolina, but the vast majority of the
13 money has been spent within the three counties and certainly the adjoining counties with
14 them. With the figures Pittsylvania is probably the most impressive on there on their
15 disbursements so far. Halifax and Mecklenburg are equal. The producers are far
16 outspending the reimbursement that they are receiving from the Tobacco Commission.

17 With me today is Taylor Clarke, he is the Extension Agent for Mecklenburg
18 County, and Traci Talley, the Extension Agent in Halifax. They work very closely with
19 the Oversight Committee. I think we have been very thorough. Britt sat in on some of
20 these meetings. We have been thorough with screening applicants, and likewise we have
21 been particularly diligent with the review of receipts and everything. I would welcome
22 anyone to scrutinize any of the records that we have kept thus far. It has been a very
23 popular program for us. I know of four counties in the Southside region who are anxious
24 to have a project similar to this and waiting on the shelf to be submitted. There are a lot
25 of counties in Southside Virginia. I have spoken with folks in Southwest Virginia, and
26 Southwest Virginia is extremely interested in this project, and the potential economic
27 stimulation is very important to the rural counties. I am not sure if you are aware of it,
28 but Ohio is getting ready to initiate a program similar to this and what Kentucky is doing.
29 I also understand that North Carolina is interested in what we are doing. So I thank you
30 all for grasping this project, and I know a lot of people are watching this project, and a lot
31 of people are applauding your efforts and supporting this project.

32 I think this all has gone extremely well, and Britt has been very
33 involved with us being located there in South Boston. Tom West has been on the GOC
34 Committee. We have had a couple of glitches and a couple of misinterpretations of
35 guidelines, and I think he could probably speak to that, but I think we have addressed
36 those on a regional basis, and I think if we would address those we could eliminate some
37 of the misinterpretations. I think it was unfortunate that there were fifty-five producers in
38 Pittsylvania County that simply were not funded because we ran out of money, and that
39 was probably the most difficult thing I have had to tell fifty-five producers to complete a
40 seven-page questionnaire and did everything they were supposed to do, and then we
41 simply ran out of money.

42 MR. WEST: A first-come, first-serve basis.

43 MS. WALLACE: First-come, first-serve basis, and we only allowed

1 the producers to select one component, and we said they could get a maximum cost share
2 of fifteen thousand dollars, and we backed that up. We asked the producers to prioritize
3 their needs and we would assist one component, and to date that is what we have done.
4 In a matter of about three weeks the four hundred fifty thousand dollars was all allocated,
5 just like that. We probably could have spent another four hundred fifty thousand.

6 DELEGATE JOHNSON: In the beginning there was a little bit of
7 opposition to the project. As the project moved along maybe some of the remarks or
8 comments that were made, have you had to adjust your program any to take care of some
9 of those concerns?

10 MS. WALLACE: No, sir. The comment that, Ms. Terry's comment
11 that it was a rich man's program or there was a federal cost sharing program out there, we
12 have certainly made every effort, as Britt can attest, and Mr. West as well, to avoid
13 double-dipping. We require the producer to apply for the federal cost sharing, to apply
14 for state cost sharing prior to being approved here. I'm pretty confident standing here
15 today that there was no double-dipping with the producers that we assisted with this
16 program, and that was one of the main concerns. I was talking to Mr. Mayhew earlier,
17 and there was some criticism that originated in this program that it was helping larger
18 producers, that you had to have a minimum of twenty cows. In looking at the program
19 we certainly want to give you the best economic return for your investment. The
20 gentleman with twenty cows is going to give you a better investment long-term than the
21 one with five cows, and we had the twenty-cow limit on it. We certainly didn't want to
22 fund somebody getting into the cattle business, because I don't think that you would have
23 gotten a great return on that. We certainly want to help those that were serious about
24 their cattle and could guarantee some economic return.

25 DELEGATE JOHNSON: Were any of the applicants turned down
26 because of reasons other than no money?

27 MS. WALLACE: We had a handful that did not qualify or did not
28 meet the qualification requirements of the eligibility criteria. Either not beef quality
29 assurance certified and the number of cattle, that type of thing.

30 MR. WEST: Most of it was the quality assurance.

31 MS. WALLACE: Yes, that is one of the areas where we need to
32 close that gap a little bit. We need to take out the opportunity for interpretation and go
33 with a regional process. I met with Mr. Bryant, and the concern originated with
34 Pittsylvania County, and we had some loopholes. I think we can eliminate those and try
35 to get rid of any misinterpretations. It has always been our intention to insist that all
36 applications meet beef quality assurance certified. I think we can address that more
37 specifically and tighten that up a little bit on a regional basis.

38 DELEGATE JOHNSON: The administration and cost percentage?

39 MS. WALLACE: Average cost shares and reimbursement or
40 administrative costs?

41 DELEGATE JOHNSON: I think we allocated five hundred
42 thousand, how much of it went to get the money to the people?

43 MS. WALLACE: We set aside fifty thousand of that. Two point

1 five percent of that would go to reimburse the soil and water conservation who was
2 handling contacting the producers and actually cutting the check back to the producer.
3 Halifax County put in ten percent for administration or not to exceed actual costs. I'm
4 keeping a pretty tight rein on the administrative costs. Should we see that there is any
5 additional money left on the table we will certainly make that available to the producers
6 in addition to the cost-sharing fund.

7 MR. OWEN: Mr. Chairman, I hope we take the opportunity, or the
8 Staff takes the opportunity, and I appreciate what Ms. Wallace said about the success in
9 getting improved bulls or gates or fences or whatever and the improved prices for the
10 calves that can be sold at auction or farm gate or wherever that market is. That we indeed
11 measure that and compare the prices that this group of farmers with their operations
12 compared to someone that is not that would clearly demonstrate our investment in
13 providing these more expensive and better bulls and premium bulls and that these other
14 assets have indeed paid off in terms of higher prices for the calves.

15 MS. WALLACE: We certainly hope to demonstrate that. Please
16 keep in mind that the bulls and heifers that we bought for these producers this year, that
17 you will not have a marketable product from that genetics for a minimum of twelve
18 months. Unfortunately, the cattle cycle right now is riding a tremendous high. Just plain
19 old cows or cattle are bringing premium prices. The livestock market hasn't seen this in
20 years and probably won't see it in other years. However, I think we are positioning these
21 producers that when that cattle cycle takes that nose dive, which it will, I think our
22 producers will be in a much better position to meet not only consumer demand but the
23 industry standards as well. I think that is what we want to do. Certainly it is one of my
24 goals to take a farm or cattle ranch and move it more into where it is in a position where
25 it would have less dependency on tobacco. I'm not suggesting the cattle are going to give
26 the farmer the same income that tobacco has done, because it is not. I think we are doing
27 a lot to assist producers to look for an alternative. I don't mean something that replaces
28 tobacco, but I mean an alternative source of revenue. I firmly believe that with better
29 management cattle can do that for many tobacco producers within the Southside and
30 Southwest regions.

31 MR. STEPHENSON: You said four hundred fifty thousand just
32 disappeared; given the limited resources, what would you say would be the average?

33 MS. WALLACE: In one county that was funded, fifty-five times
34 five or the average cost-sharing right now, it is hard to say, but some only had eighteen,
35 some had three. I really can't even venture a guess. If you apply that cost across the
36 Southside counties, I just really don't know. I know there are some things we might do
37 differently, I just don't know.

38 DELEGATE JOHNSON: Mr. Commissioner, I know you are on the
39 telephone and heard the comments and the report. Is there anything you would like to
40 say or any comments that you have to offer, or questions?

41
42 NOTE: The Commissioner is now speaking on the
43 telephone, which the court reporter is unable to transcribe due to the lack of clarity.

1
2 MR. BRYANT: Thank you, Mr. Commissioner. I would like to
3 share with you that I had several telephone calls, and I know of at least five producers
4 who expressed to me, or thanking for the opportunity under this program. I know of two
5 that were the ones that were left out, and they are hopeful this program will continue and
6 they will be able to participate with it. The ones that have participated seem to think it is
7 the greatest thing since sliced bread as far as with what they are able to do with their
8 particular herds and are really excited about these possibilities. I have told everyone I
9 have talked to this is a pilot project and it would continue. I just wanted to share those
10 success stories with you.

11 DELEGATE JOHNSON: Would there be one that would come out
12 of a regional type of thing that would fit Southwest Virginia, the flue-cured region?

13 MR. STEPHENSON: Certainly with some analysis we can discover
14 that it is highly beneficial to the region. One would think that it would be suitable for the
15 whole region.

16 DELEGATE JOHNSON: That would be Option 3, that type of
17 thing.

18 MR. STEPHENSON: Yes.

19 MR. MAYHEW: Mr. Chairman, I'm wondering if anyone has any
20 idea of the time frame during which this would be scrutinized and analyzed, after which
21 we could determine how we are going to go forward on this? Are we looking at another
22 year or two years, or does anyone have any information about that?

23 DELEGATE JOHNSON: I would think in October, I know we will
24 have a meeting in October, maybe at that time we could make a decision.

25 MR. WEST: We are planning to wrap things up soon and have some
26 type of plan.

27 MS. WALLACE: We are at about a halfway mark. Half the
28 producers have completed their projects, and we have disbursed about half of the funding
29 thus far. We anticipate the rest of the producers finishing probably within the next sixty
30 days.

31 DELEGATE JOHNSON: Do you have any opposition to what is
32 happening or what is going on?

33 MR. WEST: All I have heard is positive comments. I had a man
34 ask me yesterday, are we going to do it again. All I have heard are positive comments.

35 MR. JENKINS: Mr. Chairman, in my area people are very
36 interested in getting into it. We really haven't had any benefit, because we haven't had it
37 offered, but there is a lot of interest in joining.

38 DELEGATE JOHNSON: This is a pilot project, so what would his
39 area have to do to get on board?

40 MS. WALLACE: You would have to give us more money. Finances
41 are basically it.

42 DELEGATE JOHNSON: Is that the only stumbling block?

43 MS. WALLACE: Yes, sir. Mr. Jenkins, you're from Lunenburg.

1 People will say why don't we get any of this money, and they are anxiously awaiting, and
2 the answer is this is a pilot project and the funding is the stumbling block.

3 MR. CURRIN: Mr. Chairman, I think the initial request was
4 nineteen counties and a seven million dollar price tag, and we felt that was too ambitious
5 at that time, or we felt we would try to take a three-county area and see how it worked. I
6 had some discussion with our Staff and with the people in Southwest that are already
7 interested.

8 MR. STALLARD: Ned asked how much money we would need on
9 this project. The State of Kentucky has been doing this for a few years now since the
10 Master Settlement, and they have invested over nine million dollars in this beef
11 improvement project, and it has been a very high priority. What we have in Southwest
12 Virginia is grass as a natural resource to utilize. Even though we're doing it as a pilot
13 they have been doing it in Kentucky for a few years now. If anybody has any questions
14 on the Committee or the Full Commission I would refer them to Kentucky, because they
15 have been doing it.

16 DELEGATE JOHNSON: Any other comments?

17 MR. OWEN: Perhaps we could accelerate our own program by
18 seeing what Kentucky has done and see the experience that they have had, and there is
19 really no reason for us to wait any length of time if we know this is going to pay off.

20 MS. WALLACE: Kentucky has spent, and you can go to the
21 website, and they have spent about twenty-six million dollars just on genetics. You can
22 go to their website. It's the Governor's Opportunity Fund.

23 DELEGATE JOHNSON: What would be the rate of return on the
24 investment, do you know?

25 MS. WALLACE: I don't know, but when you look at these figures,
26 a producer spends two hundred twenty thousand and you only reimburse them ninety-
27 seven, what is the rate of that return? You can do the math. That is impressive, and if
28 you stretch that across nineteen counties, that is something to think about.

29 DELEGATE JOHNSON: The Chamber of Commerce says for
30 every dollar you invest you bring back X amount.

31 MS. WALLACE: Keep in mind that Dr. Reed and others and I have
32 had these discussions, you're going to get five fifty out of it in just six or seven years. So
33 you are looking for an economic return on these projects. I think we would be remiss if
34 we didn't look at the number of calves that these heifers produce that are going to be put
35 on the ground as well.

36 DELEGATE JOHNSON: If they didn't have the money they would
37 still do what you are saying they can do?

38 MS. WALLACE: You have to remember that we have some
39 producers that are for the first time ever, and if this project has done nothing else, this
40 project has done more for the education in these three counties in the beef industry than
41 two extension agents sitting here beside me, and the tremendous growth and
42 accomplishments will come within ten years. We've got producers that are suddenly
43 interested in the beef cattle industry. I'm not sure you can measure the educational value

1 of that. You have to remember this is not tobacco, because tobacco is king for so many
2 years, or has been. Cows have been on the back forty. I cannot think of anything any
3 better than cattle right now, and I think Southside Virginia is in a unique position to
4 become a major supplier of feeder calves.

5
6 NOTE: Commissioner Courter is speaking on the
7 telephone.

8
9 DELEGATE JOHNSON: Thank you, Mr. Commissioner. Ned.

10 MR. STEPHENSON: It seems that quite likely that if we adopt
11 scenario two quite probably Linda can have her farm in the pile. She'll have a more
12 thorough and prepared analysis of this Beef Cattle Initiative before the Commission
13 meets, because I think we have caught Linda sort of off guard here, and she is doing an
14 admirable job right now.

15 DELEGATE JOHNSON: You're saying Option Number 2 would
16 get us on the way?

17 MR. STEPHENSON: With this project I think it would be the
18 appropriate time for us to focus on it and try to bring to the Commission some analysis to
19 help you really focus in on this.

20 MR. MAYHEW: The last information that came out on education
21 probably overrides everything else, in my opinion, that has been said, as far as the good
22 that is flowing from this program. I can see how this has more long-range impact on the
23 entire beef cattle industry in our area than maybe improving genetics does. I think that
24 has to be emphasized when you are trying to defend your program and talking about
25 aspects of what is beneficial, and we should key on that. That has a lot of meaning to me.

26 MR. BRYANT: What are the cattlemen saying?

27 MS. WALLACE: Virginia cattlemen say they think it is the best
28 thing since sliced bread. We have several loads of cattle going out in June from the ag
29 market. About eighty percent of those producers are participating in the loads in the
30 value-added venue as a result of that requirement. If you receive this money you must be
31 willing to seek value-added marketing. That's been very enthusiastically received. The
32 Cattlemen's Association considers this to be one of the top ten events in many years.
33 That is how big they perceive the impact of this project.

34 MR. CLARKE: I'm the Extension Agent in Mecklenburg County. I
35 have been working with the project. Just a comment on what Mr. Mayhew said about the
36 educational value. What this project has done is made people ask questions, and being an
37 extension agent, that is what my job is. To put that nut out there and make people ask
38 questions. You can tell somebody all the ways you want to the best way to do something,
39 but if they can think of their own ideas they are not going to change the way they go
40 about things, and this project has done that. In December when we found that BSE test
41 and the repercussions. The way we wrote this project to enhance the management of the
42 producers on the farms, from a marketing standpoint and from a vaccination standpoint
43 and a genetic standpoint it goes along with all the issues that are in the beef industry and

1 value-added marketing and consumer acceptance. To get that you have to get it from
2 management and to genetics. To make a long story short, one of my better producers in
3 Mecklenburg, more progressive producers, he has participated in this program and did
4 genetics. He has been buying premium bulls that meet all the requirements of the
5 program and has sold several times within the program. He said I want to buy some
6 better heifers, and maybe I'm not doing as good a job as I can in developing my own
7 heifers. He bought ten heifers from Pittsylvania County, and he bought them and didn't
8 even go see them. Then one afternoon he got them and brought them back home. He
9 said his first instinct was to sell every cow he had and go buy more of these heifers.
10 They were that much better than any of the heifers that he had raised. I think that kind of
11 shows the educational part. He saw the value of that added genetics in comparison to
12 what he had. I put him pretty much in line with the top producer. I hope that when these
13 heifers and bulls are having calves, some of the heifers have calves in the fall. When the
14 people see the performance added by all of this, that is when we will see an answer to
15 your question.

16 MR. JENKINS: Mr. Chairman, I just wanted to say one thing on the
17 long-term goals of the programs. I think when this pilot program, or when these people
18 decide that this is going to be successful, then these people in these counties will fully
19 expect that things will be better, and if we go to a certain point and if something comes
20 along better and you cut off the fund and you help farmers in three or four counties and
21 all the rest are waiting fully expecting to get in on it, you're going to have some upset
22 people. I think we need to look at this as a long-term project and not something in a year
23 or two.

24 DELEGATE JOHNSON: If it is as successful as we are being led to
25 believe this afternoon, then why shouldn't we do it if you are making money, if you're
26 making money why not invest? That would be my thought. Are there any other
27 comments before we have a motion so we can consider both of them?

28 MR. BRYANT: I would make a motion that we adopt Option
29 Number 2, understanding that this gives us the latitude, and if we want to we can move to
30 Option Number 3, and I like having that possibility. So, my motion would be adopt
31 Option 2.

32 DELEGATE JOHNSON: We have a motion made by Mr. Bryant
33 and seconded by Mr. Mayhew. Is there any additional discussion?

34 MR. JENKINS: Mr. Chairman, I alluded to what C. D. is saying
35 here, and I am asking if you adopt Number 2 does that preclude working in or shifting in
36 to 3 if we saw the necessity, and I thought the answer was you could not do it.

37 DELEGATE JOHNSON: I'm really enthused this afternoon that
38 everybody wants to focus on one target, and that's going to be beneficial to Southwest
39 Virginia and to Southside Virginia burley and the flue. I think we can accomplish that
40 and we can achieve and focus on one good solid project, then everybody is going to come
41 out ahead, and we are going to accomplish the mission that we were supposed to.

42 MR. BRYANT: Mr. Chairman, the question that Mr. Jenkins has
43 asked, I didn't read it that way. Can you clarify that?

1 MR. STEPHENSON: My understanding of what we have before us,
2 which is Option Number 2. That is that you have not made any promises or
3 commitments, you're just harvesting ideas, and you may single out one of those ideas or
4 none of them at all, or go in another direction. You have not committed yourselves to any
5 of these; it is a method of getting ideas in front of you. If beef cattle is the best idea, then
6 you can dump your whole allocation in it if you want to.

7 MR. BRYANT: That's what I'm saying.

8 DELEGATE JOHNSON: Moving in the direction where we can
9 focus on one and one that is going to help everyone. We have the motion and it has been
10 seconded, any other discussion?

11 MR. STEPHENSON: Are the dates within that motion satisfactory
12 to everyone?

13 DELEGATE JOHNSON: You mean July the 15th, October the 7th
14 of this year?

15 MR. STEPHENSON: For two more meetings prior to the October
16 Commission meeting.

17 MR. OWEN: What is that Commission date?

18 MR. STEPHENSON: October 20 and 21.

19 DELEGATE JOHNSON: You have heard the motion, and we have
20 had discussion. Is there any further discussion? If not, all in favor let it be known by
21 saying aye? (Ayes.) Opposed, no? (No response.) The ayes have it.

22 Do you have a report to make?

23 MR. PFOHL: No, the only question I have for the Committee, in
24 your packet you have a blank pre-application form we have developed, and it is on our
25 website currently, to help us put some thoughts on paper when potential applicants have
26 ideas. If you have any other suggestions or questions that need to be asked, be happy to
27 hear your thoughts.

28 DELEGATE JOHNSON: I think we have covered everything on the
29 agenda. When the application comes back if something is overlooked we can always ask
30 for an amendment. All right, the next meeting date. July 15th?

31 MR. STEPHENSON: If you'd like the Staff to work it out as to the
32 most convenient date.

33 DELEGATE JOHNSON: All right. Any public comments?

34 MS. MOORE: Mr. Chairman, I didn't bring any prepared remarks,
35 but I certainly appreciate an opportunity to comment. I hope the Full Commission will
36 appropriate additional dollars to move agriculture forward in Southside and Southwest
37 Virginia. We were hoping that this Committee might encourage the Full Commission to
38 commit additional funding for future years that would be more fully implemented, not
39 only on the beef project but other important projects. What I would encourage the Sub-
40 Committee to work out is to invite the new Dean of Life Sciences as well as the new
41 Dean for the School of Agriculture at Virginia State. There are a number of projects
42 going on that maybe this Committee could put a little bit of additional dollars that would
43 be beneficial to farmers in Southside and Southwest. I think there are a lot of ideas and a

1 lot of good programs that have suffered cuts from other sources that might be of benefit
2 to the farmers in Southside and Southwest.

3 MR. CURRIN: Mr. Chairman, I have had a meeting with the new
4 Dean of Virginia Tech, and I'll be working with the Committee to have him here. As far
5 as Virginia State, the Staff and I have had meetings on their campus and had some of their
6 top people at our office to work with them on these subjects. I appreciate your
7 comments, Martha. I wanted to let you know we are on top of that.

8 DELEGATE JOHNSON: July 7th.

9 MR. CURRIN: I'll be happy to talk to you about Virginia State and
10 Virginia Tech as far as any meetings.

11 MS. MOORE: I would encourage the Committee also to take a look
12 at the dairy facilities, and there have been some bonds approved, and there are a number
13 of new projects.

14 DELEGATE JOHNSON: Other comments? If not, do I hear a
15 motion that we adjourn? So moved, we are adjourned.

16
17 PROCEEDINGS CONCLUDED.
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22 CERTIFICATE OF THE COURT REPORTER
23
24

25 I, Medford W. Howard, Registered Professional Reporter and Notary
26 Public for the State of Virginia at large, do hereby certify that I was the court reporter
27 who took down and transcribed the proceedings of the **Agribusiness Committee**
28 **Meeting when held on Wednesday, May 19, 2004 at 4:30 p.m. at the Institute for**
29 **Advanced Learning and Research, Danville, Virginia.**

30 I further certify this is a true and accurate transcript to the best of my
31 ability to hear and understand the proceedings.

32 Given under my hand this 30th day of May, 2004.
33
34
35
36

37 _____
38 Medford W. Howard
39 Registered Professional Reporter
40 Notary Public for the State of Virginia at Large
41
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43

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2 My Commission Expires: October 31, 2006.
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